

Virginia Housing Commission
Senate Room B, General Assembly Building
May 18, 2010; 10:00 A.M.

Members Present: Senator Mamie Locke (Chair), Delegate John A. Cosgrove, Delegate Daniel W. Marshall, III, Delegate Glenn G. Oder, Senator John C. Watkins, Senator Mary Margaret Whipple, F. Gary Garzynski, and Melanie S. Thompson.

Staff Present: Elizabeth A. Palen and Jillian Malizio.

I. Welcome and Call to Order, Senator Mamie Locke, Chair

- The meeting was called to order at 10:06.

II. Work Group Information, Elizabeth Palen; Virginia Housing Commission

- Work groups remaining the same through the interim.
- If you have bills looking to be referred please call, agenda will be put together in the next week.

III. Housing Trends, John McClain; George Mason, Center for Regional Analysis

- Discussed the Virginia economy and housing market by way of a Power Point presentation. (see handout).
 - National Economy:
 - Looking at the GDP on an annual basis you can see this is the worst our economy has been since 1942.
 - ISM manufacturing and non-manufacturing indices are both up and at levels above 50. This means we are expanding.
 - Jobs have been affected most.
 - The past four consecutive months there has been job growth.
 - United States Housing trends:
 - Both new and existing home sales have gone up sharply. This is in part related to the federal home buyer tax credits for first and second time home buyers.
 - For the past nine consecutive months the leading index has predicted the economy is improving.
 - Interest rates continue to be low which helps the housing market. The forecast is that rates won't get above the 6% level for over a year.
 - Consumer confidence, which has reached its lowest levels ever, is now beginning to show some signs of turning around.
 - The Virginia Economy:
 - Usually fairs better than national economy.
 - Job losses in 2009 exceed the '80s, '90s, and '01 in terms of recessions. There were 125,000 jobs lost in Virginia in 2009.
 - In March, 2010 job loss number will be at -52,000.
 - Unemployment rate in Virginia has remained low compared to the U.S. rate.

- The greatest number of job losses have been in the construction and retail industries, because the industries are cyclical in nature. They reflect what's going on in economy and they will come back when the economy strengthens.
- Manufacturing may not return to previous numbers because it is a structural industry. The information industry (includes telecommunications and publishing) may react similarly.
- Education and health services was the only positive sector as far as growth.
- Total federal spending in Virginia:
 - Average 7% increase since 1990.
 - Procurement spending was over \$50 billion in 2008. This is a vulnerability for the state. Although, Virginia has benefited, the federal government has made noise about cutting back on outsourcing.
 - In the opinion of the speaker, there is a need to diversify the state's portfolio.
 - Texas just barely inched out Virginia for federal procurement dollars spent.
- Housing Market Trends:
 - Housing sales improved through the fourth quarter of 2009. First quarter of 2010 was not good. Sales should rebound in the second quarter.
 - Prices did not fall as far in Virginia as they did in other parts of the country.
 - There is a better market for homes that cost \$417,000 and under because buyers can get better interest rates for these homes.
 - In Northern Virginia:
 - 8 consecutive months where prices increased.
 - Some increased sales in \$500,000-\$800,000 price range.
 - Foreclosures are still a significant problem; in 2009 foreclosure rates were higher than in 2008 because of:
 - Past problems with subprime mortgages;
 - Problems when people bought late in the cycle of foreclosure;
 - It is going to take awhile to work through this because the national programs are not working as well as hoped.
 - Most of the foreclosure issues are in the three largest areas of the state:
 - i. Northern Virginia;
 - ii. Tidewater;
 - iii. Central Virginia.
 - Many people are buying foreclosed homes because they are a good value.
 - However, it is still a problem statewide to find affordable house.
- **Delegate Marshall**— *Do you track inventory by year?*
 - We track by month because when you look at a listing on an annual basis it is not as meaningful as a monthly basis. Right now we have the same inventory of sales as 1999. There is a five month supply.
- **Delegate Marshall**— *This has been our worst year in a number of years. One thing that has helped us in the past is home building, the problem is right now there is too much inventory.*

- You're right. We currently don't have a really good hold on how many people waiting to put their house up for sale because the market has been so bad. We also have suppressed demand. Young adults graduating from college move back with their parents or move in with roommates instead of buying their own home. People aren't getting divorced because it is too expensive, so fewer people are separating and buying another home.
- **Delegate Marshall**— *Is Northern Virginia still the fourth worst housing market in the nation?*
 - No, we have recovered.
- **Delegate Marshall**— *Does Prince William County still have a foreclosure rate of 66%?*
 - Yes, that still holds true.
- **F. Gary Garczynski**— *You mentioned new construction, the recovery has been on the resale side, which helps, but doesn't stimulate job growth. Can you comment?*
 - Using the numbers, if we look at new units being built, we need to produce 30,000-35,000 per year to stimulate job growth. It will probably not be until 2012 before we get back to that.

IV. Housing Partner Overview

- **Bob Sledd**; Housing Policy Advisory Committee
 - The Housing Commission started the Virginia Housing Development Authority (VHDA) and the Department of Housing & Community Development (DHCD) all of which have and continue to addressing housing issues, however, better leadership is necessary.
 - The Governor realizes there are limited resources but there is still a serious need and serious demand for better housing opportunities.
 - The best way to approach the problem is with a coordinated plan—a coordinated legislative initiative.
 - The plan is to use the work done in 2006 as a starting point—inventory all the work that has been done.
 - As part of the process there will be a small working group of 20 members. The group will include representatives from the federal government, the private sector, and the public sector. Their task will be to put together a work plan. There will also be a larger advisory group that will have as many as 60 members. This group will probably meet twice; there will be a facilitator for both of those groups.
 - The plan is also to reach out to the public through electronic surveys in order to get input from all interested parties.
 - Homelessness as an issue has been separated out because it is so complex. There will be a separate facilitator and a separate work group.
 - Would like to have the participation of the Housing Commission.
 - This is going to be an ongoing effort. Not every issue can be tackled in one year, but the hope is to address the major issues this year.
 - **Senator Whipple**—*I am glad to see you doing this. The commission has struggled with this for a few years, how we can create a more focused policy. A*

coordinated effort is really important. I do have a couple of thoughts; around the Commonwealth different regions and localities have been made progress and instituted practices and models that may be expanded and applied statewide. The involvement of Delegate Cosgrove and Senator Locke would be great because of their considerable experience. A final thought, as far as homelessness is concerned, we have had good luck with prevention. Sometimes all someone needs is help with a rental payment and that way you can keep a family from losing their home in the first place.

- Your comments are right on target. We are looking not just throughout the state, but throughout the country for best practices. Prison reentry is also an important program to prevent homelessness.
 - **Senator Whipple**—*At least in our area, the largest number of people who are homeless are children.*
 - **F. Gary Garczynski**—*I want to congratulate the governor and his staff on this effort. There are several states that have statewide housing policy. Different groups also have documented policies that all fit in with what you're trying to produce. It is a big challenge that has always thwarted us, an almost herculean effort that the commission didn't have the time or effort to complete.*
 - **Senator Locke**—*Last year we heard some disturbing news that there are still discriminatory housing practices. I am glad to see there will be an emphasis on fair housing.*
- **Susan Dewey**; Virginia Housing Development Authority
 - Focused on two key programmatic challenges:
 - Ability to access capital markets.
 - Ability to continue to run programs prudently and efficiently.
 - Have done well with renter households.
 - Greatest challenge is serving renters with extremely low income.
 - This is in part because federal funds have been inadequate.
 - HUD has currently proposed a “Transformation of Rental Assistance” initiative. They are looking to streamline their efforts.
 - VHDA is the primary source of mortgage lending for first-time buyers. Manage risks by requiring homebuyer education. Risks are also mitigated some what because the loans are insured.
 - Currently seeing borrowers struggle to make payments, partially the result of job loss.
 - Since VHDA services all of their loans, when homeowners have trouble they are able to help them immediately. Delinquency rates are higher for VHDA, but their foreclosure rates are lower.
 - Committed to sustainable home ownership, VHDA policies and practices help prevent foreclosure:
 - Borrower's must be willing to work with VHDA;
 - They have a foreclosure prevention website for their borrowers.
 - Trying to serve needs that exist across state through:
 - Education;
 - Green-design;

- Working with localities on mix-use and mix income programs.
- **Senator Watkins**—*I am interested in your comment with regard to delinquency rates being higher but foreclosure rates lower, how much higher?*
 - Our foreclosure rate in Virginia is at 2% while the U.S. is at 4%. Some people just have short-term problems.
- **Senator Watkins**—*Does the delinquency trigger at 30 days?*
 - We have it categorized at 30, 60, and 90 days.
- **Senator Watkins**—*With regard to foreclosure, what is timeline to get into foreclosure?*
 - We do everything we can to prevent foreclosure. At the 60 day mark we are trying to get into touch with homeowners and actively work with them. Only if all efforts are exhausted do we start the foreclosure. There is also the option of short sale, which doesn't hurt the homeowner's credit as badly.
- **Senator Watkins**— *What is the timeline from time to delinquency to foreclosure?*
 - **Tom Dolce**, Managing Director, Services & Compliance, VHDA— That depends on the type of loan. Most of the time it is somewhere between 120 and 150 days. It takes about 90 days after that to complete.
- **Senator Watkins**— *Have federal agencies readily come up with their money?*
 - Yes.
- **Delegate Oder**—*Have you had any mortgage experience with Chinese drywall?*
 - Yes, all the ones we know of are townhouses in Williamsburg. There is not a large number in our portfolios. We don't know if there is a problem unless we are contacted; there are six as of today.
- **Delegate Oder**—*People's health conditions are reacting differently, so they can't be there long and people shouldn't be there long anyway because the homes can be dangerous. Are you running into situations where people are asking for forbearance?*
 - Yes, in one townhouse the woman in the family was pregnant, and they are currently on a forbearance plan so they are not paying their mortgage.
- **Bill Shelton**; Department of Housing & Community Development
 - Core mission has remained the same: to work in partnership in order to make Virginia communities safe, affordable, and prosperous places in which to live, work, and do business.
 - How we have accomplished our mission:
 - Supported affordable housing;
 - Built viable communities;
 - Created and sustained a safer build environment;
 - Assisted local and regional entities; and
 - Critical policy efforts.
 - Affordable Housing is achieved through:
 - Continued oversight of federally-funded housing and homeless programs.
 - Stimulus-funded housing activities included:
 - Weatherization Assistance:

- A stimulus program that supplemented other programs;
 - Focusing on multi-family housing.
- Homelessness Prevention and Rapid Rehousing Program:
 - DHCD was given up to 3 years to implement program, at the end of the 1st year, almost 50% complete. It should take less than two years to complete.
- State-funded housing and homelessness programs:
 - DHCD recognizes the importance of homelessness prevention.
- New initiatives, which included:
 - Affordable Rental Tax Credits:
 - Tax credits to landlords who take voucher recipients into units.
- Building Viable Communities through:
 - Continued oversight of federally-funded community development programs;
 - State community development programs;
 - Stimulus-funded community development activities, including:
 - Neighborhood stabilization:
 - Received \$38.7 million through Housing and Economic Recovery Act;
 - All of this money will be used by September 17, 2010.
 - Community Development Block Grant-Recovery:
 - Unfortunately, it has been difficult to buy foreclosed property. The community groups need to act quickly.
 - New state initiatives, including:
 - Enhanced access to Enterprise Zone Job Credits in economically distressed communities (HB 555):
 - First priority is job creation;
 - Recognition of unemployment rate, more help in areas of greatest need.
- A Safer Build Environment through:
 - Updating Building Regulations:
 - 2009 Uniform Statewide Building Code, Statewide Fire Prevention Code, and related regulations nearing the end of the code change process.
 - Final board action anticipated for July 2010.
 - This has been an 18-month long process.
- Assisting Local and Regional Entities through:
 - Provision of financial and technical assistance:
 - Land use planning still being studied.
 - New initiatives include:
 - Collection and publication of information on implementation of Urban Development Areas by local governments.
- Participating in Critical Studies, including:
 - Economic development and job creation;
 - Defective Dry Wall Task Force;

- Housing policy framework for Virginia;
 - Homelessness policy.
- **Delegate Oder**—*I am concerned as far as the inclusion of fire sprinklers in residential occupancies as a recommendation. When you put this in codes every now and then you run across inspectors that say, it's in here you're going to do it. I worry that it can be implemented differently.*
- **Delegate Marshall**—*If it's optional, why put it in there?*
 - Certain buildings require it. We put it in as optional so that you can implement standards. So if you are going to do it, this is how you do it.
- **Delegate Marshall**—*When this is finalized this has to go to the governor to sign off on?*
 - Any APA regulation has to be sent to the governor. There are a number of different steps along the way. We put an emphasis on workgroups because it is fully vetted and there is consensus.
- **Senator Watkins**—*Along the line of the sprinkler systems, are there any changes under consideration with regard to high rises and the requirement for retro fit after a certain period of time?*
 - No, there had been proposals. And we had looked at that issue; but, there is nothing in the national code. We would want legislative action to direct us for further action.
- **Senator Watkins**—*Has the task force considered trying to come with some way of trying to figure out how big is the Chinese dry wall problem?*
 - There is a national database, suppliers, and others who have tracked where drywall is sold. Also, the consumer division of the Attorney General's office agreed to maintain a database in Virginia. The issue is that not every homeowner is aware that they have it in their home. The preponderance of affected dry wall is in Hampton Roads. Heard first time of someone who thinks they have it in their home in Northern Virginia.
- **Senator Watkins**—*Is it appropriate to assume that the federal government has prohibited continued importation of Chinese drywall or have they stayed away from problem?*
 - There has been nothing yet issued. Not every sheet outside of the U.S. is defective. Foreign products are used all the time in construction. The effort on the federal side has been, what do you do when the drywall is in the house? No prohibition yet, the radar has been raised, people are well aware of the issue.
- **Delegate Oder**—*Senator Watkins, one thing I have stressed is to figure out how many people are affected. I asked the Attorney General to subpoena the primary supplier. The problem with the call-in system is that some people are renters and when they move they pass the problem on to the next residents. We must stop the resale and release of homes—the homes cause serious health issues. I have also recently learned that drywall is a product that can be recycled. The new concern is that people who couldn't sell the drywall or tore it out of homes sent it out to be recycled.*

V. Public Comment

- **Joe Face**, Commissioner, Bureau of Financial Institutions, State Corporation Commission
 - Gave a full report to the Mortgage subgroup a month ago. Here to update the figures for licensing and registration for mortgage loan originators (MLO).
 - As of May 16th there were 5,285 applicants for MLO license, of which:
 - The SCC has approved 965;
 - Denied 1;
 - 80 have been withdrawn/abandoned;
 - 4,239 are still pending.
 - The SCC process 35 applications per business day.
 - Majority of pending applications are incomplete.
 - Are beginning to notify applicants who have filed incomplete applications. They will have 60 days to complete the application or the application is considered abandoned and applicant will have to start over.
 - July 1st, is the day MLO needs to be licensed to continue to conduct business
 - Testing component—failure to take test resulted in many incomplete applications.
 - Nationally, 61,379 tests administered.
 - 40,000 passed 67% pass rate.
 - 35 states have implemented their own test.
 - 46,000 state tests taken-- 46% pass rate.
 - In Virginia there is a lower pass rate. Think this is because people just are not studying/preparing. The test has been changed and the pass rate improved.
 - **Delegate Marshall**—*As far as the problem with the criminal background test, how is the process working?*
 - Process is working better; deputy commissioner is following it closer.
 - **Nicholas Kyrus**, Deputy Commissioner, Corporate Structure and Research, BFI, SCC—(in charge of licensing process) originally there was a problem with FBI having background check. There is no problem now with the scanning technique for fingerprints.
 - **Delegate Marshall**—*965 have been approved so far? How are we going to get all these applications through?*
 - Code provides for provisional licenses, so for those individuals we have not been able to yet investigate, we can issue a provisional license. There is more of a problem for incomplete applicants because we cannot issue provisional licenses for these people. On July 1st they will not be able to operate without a complete or provisional license.
 - **Delegate Marshall**—*We also talked about working with associations to make sure people understand this is real, have we made progress?*
 - I think we have, the National Mortgage Licensing System (NMLS) has encouraged all state associations to get members signed up and get their applications in the system. They have done seminars all over the state, put out press releases, notices in newsletters.

- **Travis Hill**, Virginia Mortgage Lenders Association—We are pushing the message out, trying to get people to get education first, then take test. We are doing as much as we can to get people licensed now. This is a new process and people are having hard time realizing they must be certified.
 - **Senator Locke**—*How long does it take to review an application?*
 - **Nicholas Kyrus**—It doesn't take long if the application is complete.
 - One of the main problems the NMLS has seen is MLO applicants need to register, travel to a test center and then take the test. Spots are filling up at test centers therefore, procrastinators are not able to get seats which means some applications will not be complete.
 - **F. Gary Garczynski**—*Has a process started that would parallel what realtors do with online testing?*
 - There probably could, but we do not direct the test, that is set up by the NMLS.
 - **F. Gary Garczynski**—*Could you put forth that request?*
 - Yes.
- **Gordon Dixon**, Director, Department of Professional Occupational Relations
 - Newly appointed Director
 - Offered anything he can do to help the Commission and provide assistance.
 - **Mark K. Flynn**, Virginia Municipal League
 - Requested that the Housing Commission work on follow-up amendments to § 58.1 of the Code of Virginia. Problems were caused because of the Governor's amendments to HB 233 and SB 273.
 - Asked that the Commission send the issue to the Affordable Housing Workgroup to harmonize the language.
 - **Senator Whipple**—*That should be simple technical change.*
 - **Brian Gordon**, Apartment and Office Building Association
 - Virginia schools and universities require students to reside in their housing.
 - Historically they made them only reside for the first year; now they are expanding to include upperclassmen.
 - Situation is that there is a new monopolistic player in housing market and it is affecting the private housing market.
 - Price of this housing exceeds average rental.
 - **Delegate Cosgrove**—*I was going to ask we look at this in the affordable housing group.*
 - **Senator Watkins**—*At the time, schools justified it because the cost of housing was so high.*
 - **Senator Whipple**—*Location will be a portion of study because there is a relation between the cost of housing and distance from campus.*

- **Melodie Seau**, Division-Chief, City of Alexandria Landlord-Tenant Relations Board
Landlord-Tenant Relations Board of the City of Alexandria
 - Asks that the VHC study the issue of the enforcement authority for the requirements of § 55-226.2 of the Code of Virginia as it pertains to Ratio Utility Billing Systems (RUBS). The City has received complaints of unfair and undocumented charges in buildings. In some cases, it was found that property managers were not in compliance with disclosure requirements imposed on landlords for making utility information available to tenants. Tenants are supposed to be able to see utility information that was used to justify their bill, and the courts do not provide a viable recourse.
 - **Senator Whipple**—*What I hear from people is how they are trying to save energy, but they can't get a reduction because of the area.*
 - **Senator Locke**—*We can study the issue in the environmental work group.*

VI. Adjourn

- The meeting was adjourned at 12:00 P.M.